

THE MYBARACKOBAMATAX

I did a post when Max Baucus first released the Senate Finance Committee bill, showing that for a middle class family of four, a significant medical event would leave the family with just \$7,215 to pay transportation, education/child care, utilities, debt, and other necessities.

I wanted to do the same exercise again, because the Senate bill has changed to include more subsidies for those between 300 and 400% of the poverty level. As a result of those subsidies, the bill has gotten much better for the middle class. But it would still leave a family of four that had experienced a significant health care event with just \$13,620 to pay for everything besides food, housing, health care, and income taxes.

I'm going to do two scenarios – one for someone just above 300% who will receive subsidies and have a premium limit, and one for someone just over 400%. While that artificially calculates the number for those who would be in the worst case scenario, as far as benefits (meaning they make just enough to miss out on some subsidies), it does give a basic idea of what this will do to middle class families (though it is inaccurate in that those over 400% of poverty have no cap on premiums, so those numbers could be higher). Since subsidies are figured on “silver” plans which allow actuarial values of 70%, this is what might happen to a family incurring around \$39,666 in medical costs over the year, in which case they would pay the full out-of-pocket costs for their income level.

As with my earlier post, please let me know if you've got better estimates – but provide a link. Note the income tax for the lower income level is based on Brookings/Urban Institute/Census data. The state taxes are based on MI's relatively low rates, so those numbers would be higher for most people.

301% of Poverty Level: \$66,370

Federal Taxes (estimate from this page, includes FICA): \$8,628 (13% of income)

State Taxes (using MI rates on \$30,000 of income): \$1,305 (2% of income)

Food (using "low-cost USDA plan" for family of four): \$9,065 (14% of income)

Home (assume a straight 30% of income): \$19,275 (30% of income)

Health Care: \$14,477 (\$7,973 out-of-pocket + 9.8% of income; totals 22% of income)

Total: \$52,750 (79% of income)

Remainder for all other expenses (including education, clothing, existing debt, transportation, etc.): \$13,620 (or 21% of income)

401% of Poverty Level: \$88,420

Federal Taxes (really rough estimate based on this page, includes FICA): \$13,263 (15% of income)

State Taxes (using MI rates on \$45,000 of income): \$1,957 (2% of income)

Food (using "low-cost USDA plan" for family of four): \$9,065 (10% of income)

Home (assume a straight 30% of income): \$26,526 (30% of income)

Health care: \$20,565 (\$11,900 out-of-pocket + 9.8% of income—though note there is no limit on premiums for this income level, so this could be higher; totals 23% of income)

Total: \$71,376 (80% of income)

Remainder for all other expenses (including education, clothing, existing debt, transportation, etc.): \$17,044 (or 21% of income)

19% of income)

I'm going to start collecting other likely costs below, to try to round this out.

Transportation costs (assumes 1 car, 12,000 miles/year, at IRS reimbursement rate): \$6,600